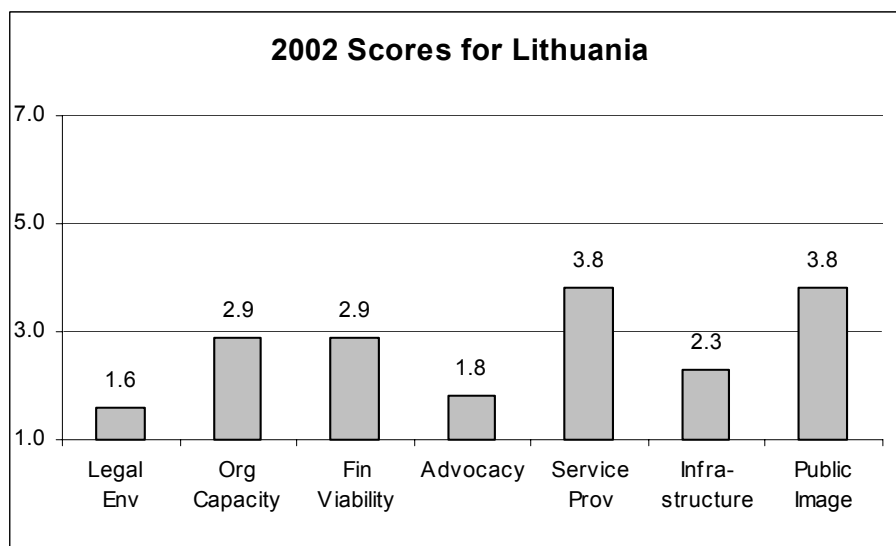


LITHUANIA



Capital: Vilnius

Polity:
Parliamentary
democracy

Population:
3,601,138

**GDP per capita
(PPP):** \$7,600

NGO SUSTAINABILITY: 2.7

The NGO sector in Lithuania continues to grow steadily, now consisting of about 12,000 organizations. However, at least 3,000-4,000 of these registered NGOs are not active. The sector possesses the fundamental infrastructure needed to improve the quality of NGO services as well as NGOs' organizational capacity.

NGO SUSTAINABILITY

2002	2.7
2001	2.9
2000	3.1
1999	2.9
1998	3.0

of NGO services as well as NGOs' organizational capacity.

Several positive developments occurred over the past year, but the most notable related to the legal environment. New tax provisions should assist NGO efforts to raise additional funding, while increasing society's awareness of the existence and

the role of non-profits. Also, in order to benefit from these new tax provisions, NGOs will be encouraged to be more proactive and accountable to their constituencies.

However, the new laws have not yet had any demonstrable effect and financial sustainability is still a serious problem for many Lithuanian NGOs. While large NGOs have succeeded in finding additional revenues, smaller groups are dependent on local resources, which are growing very slowly. NGOs have increased their efforts to diversify financial resources and create more intersectoral partnerships, although they need to continue efforts to develop more products and services and generate revenue from them. Recent amendments to the respective NGO laws made this possible as well.

LEGAL ENVIRONMENT: 1.6

LEGAL ENVIRONMENT	
2002	1.6
2001	2.0
2000	4.0
1999	4.0
1998	4.0

commercial activities.

Second, in July 2002, the Seimas passed a new Law on Residents' Profit Taxes. This new law allows individuals to designate 2% of their income taxes to a selected NGO or public institution that benefits society. This promises to be an important new revenue source for NGOs, although NGOs will be in competition for these funds with schools, hospitals and other facilities registered as public institutions. The first revenue flows from this new measure will reach NGOs no earlier than the end of 2004.

The legal environment regulating NGOs improved noticeably in 2002, particularly in terms of tax issues. First, the parliament, or Seimas, eliminated the profit tax on NGO

Finally, the Seimas reinstated a unique provision giving businesses the opportunity to deduct twice the amount of their donations to NGOs from their taxable profits. However, despite these various tax incentives, these opportunities are not yet widely utilized, especially among smaller donors who are not familiar with the administrative processes for doing so, or in many cases, the legal provisions themselves.

The passage of amendments to the Law of Associations is the first in a series of measures favorable to NGOs that lawmakers are considering. The subsequent laws should be approved in 2003. These bills will enable the four recognized types of NGOs to engage in commercial activities, an opportunity granted only to public institutions in the past. It will still take time for NGOs to feel the effects of this new legislation.

ORGANIZATIONAL CAPACITY: 2.9

Lithuanian NGOs continue to improve their management skills, yet the overall sector's

ORGANIZATIONAL CAPACITY	
2002	2.9
2001	3.0
2000	2.5
1999	2.5
1998	3.0

organizational capacity has improved only slightly over the past year. Generally, NGOs are moving beyond learning concepts like strategic planning, project administration and mission statements, to implementing them. This is especially true of more established groups that have designed and now follow strategic plans. For smaller NGOs, such con

cepts may still exist only on paper and not in practice.

Leading NGOs possess modern equipment and technology, while rural groups have old-fashioned equipment or lack resources of their own altogether. However, these groups can usually access computers and other basic equipment in local libraries and community centers. Larger and more advanced NGOs have the ability to support a full-time staff and recruit volunteers. New amendments to NGO laws reduced the financial strain on some organizations by allowing the use of volunteer accountants.

NGOs recognize the importance of a fully functioning board of directors, even though many still lack them. Many NGOs with boards still do not make a clear distinction between administration and boards. There has been a growing number of inquiries for training courses about organizing active boards. With this additional experience and information, the roles and responsibilities of board members are beginning to be clarified.

Organizations are also becoming more proactive and effective at building local constituencies – especially with business partners. Representatives of the business sector are increasingly invited to serve on NGO boards. This not only brings private sector experience in management, accounting and public relations into the sector, but sometimes results in joint NGO-business projects, increasing the visibility of NGOs and broadening their constituencies.

FINANCIAL VIABILITY: 2.9

Financial viability continues to be a problem for many NGOs. This uncertainty prevents many groups from having long-term outlooks beyond a year or even six months. However, while NGOs continue to be concerned about financial viability, the steady number of NGOs that remain active proves that it is possible to find resources.

FINANCIAL VIABILITY

2002	2.9
2001	3.0
2000	4.0
1999	3.5
1998	3.0

Opportunities to receive foreign grants continue to decrease, but many hope that EU funds will become more available in connection with Lithuania's EU accession. In part as a result of shrinking foreign funds, Lithuanian NGOs are recognizing the importance of raising funds from local donors. Local philanthropy continues to grow slowly, and according to statistical

data, has already exceeded the assistance that now comes from abroad. Local support comes in the form of financial assistance, as well as in-kind donations of services and materials. New laws allowing individuals to assign 2% of their income taxes to NGOs are hoped to have an important impact on philanthropic giving.

NGOs still have limited possibilities to earn money by charging fees for the goods and services they produce, but the groundwork has been laid to change legislation on the commercial activities of NGOs. In the near future, all types of NGOs will be able to pursue economic activities. A few pioneering organizations have developed partnerships with businesses that in turn donate a portion of their sales to the NGO. Such agreements and new commercial activities will help to increase sustainability.

ADVOCACY: 1.8

NGOs are making inroads in their communication with local and central governments, as evidenced by the passage of

many reforms to legislation relevant to NGOs. These advancements resulted from NGOs' continuous lobbying efforts

ADVOCACY

2002	1.8
2001	2.0
2000	2.0
1999	1.5
1998	2.0

and an influx of parliamentarians with roots in the non-profit sector. A group of parliamentarians has formed that actively supports the interests of non-profits. In addition, NGOs are

more recognized as a source of information and expertise and are increasingly invited to inter-ministerial meetings and working groups that affect social policy at both the federal and local levels.

Political lobbying has grown in acceptance among NGOs. As parliamentarians more readily accept NGO input, more and more organizations recognize lobbying as a conversation with officials to enact certain policy changes. However, NGO lobbying activities are put at risk by proposed amendments to the Law on Lobbying. If the amendments are approved by the Seimas, nonprofits preparing recommen-

dations on legal acts will have to register themselves as lobbyists and pay a registration fee of Lt.10,000 (approximately \$ 3,000. NGOs have recently launched an active advocacy campaign to prevent the adoption of these legal provisions.

Municipalities tend to view NGOs more positively. Cooperation between the two sectors has improved and direct lines of communication exist. The challenge is to develop a constant dialogue rather than having discussions on an ad-hoc basis.

Coalitions and associations are now being created in the regions, as opposed to solely in the major cities. NGOs organize in order to better defend their interests when dealing with local municipalities, improve their organizational capacity, and improve their access to funding.

SERVICE PROVISION: 3.8

The quantity and quality of NGOs providing social services continues to increase, although the products offered have not

SERVICE PROVISION

2002	3.8
2001	4.0
2000	3.5
1999	3.5

become noticeably more diverse. Both the central and local governments continue to increase their support of NGO services. More and more often, the central government invites NGOs to

take part in grant competitions, for example on a national crime prevention program. In addition, both rural and urban municipal governments are awarding contracts to NGOs for services in the areas of social and economic development, and environmental issues.

Organizations rarely recover costs for the services they provide. Not only do many clients lack the resources to purchase them, but also many customers still hold the belief that NGO services should be free.

Local communities increasingly recognize and value NGOs as service providers. Nonprofits often provide cheaper and better quality services than responsible municipal units, especially in the area of social care, and people who at least partially pay for services are more likely to choose NGO services. However, in order to provide certain services, NGOs have to comply with strict and complicated requirements that make such activities very complicated and expensive.

INFRASTRUCTURE: 2.3

The number of Lithuanian NGO resource centers remains unchanged over the past year. These centers provide a range of

INFRASTRUCTURE

2002	2.3
2001	2.5
2000	3.0
1999	3.0

services including training and technical assistance in areas such as strategic planning, board development, fund-

raising, and project management. Although courses are available and generally cost-effective, some NGOs still cannot afford them. In addition, the resource centers and trainers remain dependent on international donor support and have yet to access significant local resources. The resource center in Kaunas has made the most progress in terms of diversifying its funding sources, although it still relies on donor support for almost 90% of its budget. Many other centers are not legally allowed to charge anything for their prod-

ucts and services as they are registered under the law on Charitable Foundations.

This year, an increasing number of intermediary support organizations (ISOs) sprouted up in the countryside. Usually based in libraries and community centers, these ISOs offer shelf space for NGO pamphlets and literature.

Local grant-making organizations are beginning to emerge. In the Zemaitija and Utena regions, the first community foundations were formed, joining businesses, government and NGOs together to tackle local issues. In addition, the first re-granting of Baltic American Partnership Program funds recently took place in Zemaitija. Although the amount was not large, only about \$6,000, it brought about visible results that helped attract new prospective local donors.

PUBLIC IMAGE: 3.8

More media coverage than in years past has helped the public gain more of an understanding about the sector. Throughout

PUBLIC IMAGE

2002	3.8
2001	4.0
2000	3.0
1999	2.5
1998	3.0

the country, organizations are becoming more open about their activities and proactive in establishing meaningful relationships with journalists and the general public.

NGOs realize it is necessary to be creative when communicating with the press. In addition, organizations increasingly have found web pages useful as a way to share information with a wider audience. A weekly radio show called "The Third Way" on Lithuanian National Radio

was perhaps the most significant reason for the increase public image of NGOs.

Unfortunately, the continuation of the radio program is at risk due to uncertain future sponsorship, and other major media outlets remain reluctant to focus on NGOs. In dealing with major daily newspapers, new issues have appeared. Specifically, articles often do not mention the names of corporate donors, thereby hindering NGO's efforts to recruit donations.

A Social Ethics Institute recently opened to help NGOs in addressing issues related to competition between organizations and their relationships with donors, lobbying and advocacy measures, relationships with local authorities, and community.

2002 NGO Sustainability Index

However, it is too early to evaluate the results of its work. A few seminars on ethics were held last year and signify a slight im-

provement in this area, but a set code of ethics does not yet exist.